

Full Cost Decision Memorandum: Service Financial Metrics (SA-06)

Issue:

What are the financial metrics for services at LaRC?

Source / reference:

LaRC Full Cost Implementation Team (2003-2004)
LaRC Office of the Chief Financial Officer (OCFO)

Background:

In the past, LaRC was given financial metrics from Headquarters (HQ) for commitments, obligations, and costs expenditure rates and totals. Prior to full cost, the metrics for project funds were imposed on procurement funds only since salaries/benefits, and travel, funds were accounted for in separate fund sources. Full cost adds complexities to the planning process in that managers must include new cost elements such as labor, travel, service pools and G&A to project planning. Also, constraints and complexities in the Core Financial System increase the concern relative to financial metrics, especially when limited funding and continuing resolutions exists. Projects should be mission driven and not metrics driven, however metrics are necessary in measuring accomplishments

Options:

1. Establish internal LaRC metrics that enable us to meet the HQ metrics and understand spending
2. Provide OCFO guidance that performance should be appropriately managed to meet plans, which should include external metrics if the programmatic guidance calls for them.
3. Ignore metrics and manage prudently to accomplish mission objectives.

Decision:

Option 1. The establishment of Center metrics has proven to be an effective way to meet headquarters financial metrics and measure cost performance. In addition, with new emphasis on budget and performance integration, financial metrics provide a valuable measurement of spending rates. However, the shift to full cost creates new challenges associated with financial performance. In that regard, the OCFO has developed revised financial metrics for Center services and support (G&A) activities. Since services & support (G&A) activities are provided on an annual basis to support mission activities, all services & support (G&A) dollars should obligate 100% and cost 85% by the end of the fiscal year (September 30). The noted cost goal of 85% allows services & support activities to have adequate forward funding of cost to alleviate CR complications.

Approved by LaRC CFO (Ken Winter) 3/29/04
